



SCOTT FITZPATRICK MISSOURI STATE AUDITOR

Investigative Summary

Summary of Significant Complaint(s) reported: The State Auditor's Office received a complaint that City of Reeds Spring funds were improperly used to repair and upgrade the real property of a board member.

Background:

The City of Reeds Spring is located in Stone County. The City was incorporated in 1947, and is a 4th Class city with a population of 1,136 per the 2020 census. The City currently has 10 employees.

Building Project

In 2022, a developer began a project to construct 3 houses. The construction resulted in water run-off and erosion damage to nearby properties. One of the properties with damage belonged to a city alderman. After the alderman's complaints, the city hired an engineer to evaluate the project. The engineering firm confirmed damage and recommended remedial action. The city ordered the developer to implement the engineering firm's recommendations. On July 7, 2023, the city issued a work stoppage order for failure to properly address the water issues as requested and issued a municipal violation to the developer. The violation was later rescinded by the Board and the developer made some of the recommended changes at his expense. However, not all changes were made and the Board chose not to pursue the issue further. The alderman then sued the developer in small claims court, but later dismissed the case. In 2024, the city indicated it originally incorrectly issued a building permit that did not sufficiently address the potential storm water issues for a development of this size. The city accepted responsibility and paid for additional work to address the erosion damage at the alderman's property.

Complaint Review:

Our investigation included a review of various city documents related to the development project, including documents provided by the complainant, meeting minutes, audio recordings of Board meetings, bank records, and invoices.

We noted during the August 23, 2023, Board meeting, the alderman with the property issue recused himself from voting but consistently interjected comments during the discussion of the erosion damage. As a result, there is at least the appearance of a conflict of interest. The Board also failed to request proposals or show they considered the most cost effective solution for completing the remediation project. Instead, the board agreed to have a resident complete the installation work for \$2,500 after the city purchased the corrugated pipe for \$6,132. The Board also failed to take a vote on the work after discussion.

While there was the appearance of conflict of interest, the issues appear to stem mostly from a dispute between the developer, the city, and the alderman/property owner. The developer contends the additional work and work stoppage resulted in additional costs and the alderman contended the developer caused damage to his property. Because the city determined it was responsible for at least some of the damage it appears appropriate that it paid to remediate the property. It appears any remaining issues between the developer and former alderman should be resolved by the courts.

Conclusion:

Our review noted the issues reported are the result of a conflict between a developer, the city, and a property owner/alderman whose property suffered damage. Both the developer and property/owner have sued and later dismissed the cases and it appears any remaining disputes would require additional legal action for resolution.

Our review noted the city did pay for work at an alderman's property as reported. However, city officials indicated they were responsible for the repairs to address erosion damage caused by a permitting error on its part. The city did not bid for the work performed and the alderman whose property was damaged did not always recuse or remove himself from discussions related to his property, giving at least the appearance of a conflict of interest.

We will close the investigation and recommend the Board ensure it requests bids as needed, avoid conflicts of interest by ensuring Board members are not present for discussions where they are an interested party, and vote on all expenditures. We will issue a closure letter indicating our recommendations.